

VE 2-18-04

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**AM 2/17/2004



ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL
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FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Lake Capital Partners, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
24 Field Point Road

Greenwich (City) (No. and Street) CT (State) 06830-5338 (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Frederick C. Lake (203) 661-5100
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Dalessio, Cascio & Company, LLC

14 Penn Plaza, Suite 2004 (Address) New York (City) NY (State) 10122 (Zip Code)
(Name - if individual, state last, first, middle name)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED
FEB 20 2004

FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

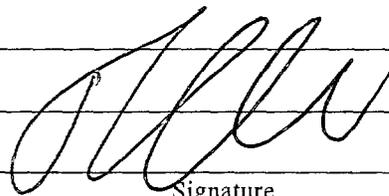
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Potential persons who are to respond to the collection of information contained in this form are not required to respond

OATH OR AFFIRMATION

I, Frederick C. Lake, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lake Capital Partners, Inc., as of Dec. 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



Signature

President

Title

Stephanie E. Vallis
Notary Public

My Commission expires 8/31/06

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

DALESSIO, CASCIO & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

14 PENN PLAZA, SUITE 2004

NEW YORK, N. Y. 10122

(212) 244-1270

FAX: (212) 244-1743

**Report of Independent Auditor's on Internal Control
Structure Required by SEC Rule 17a-5**

Board of Directors
Lake Capital Partners, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Lake Capital Partners, Inc., ("Lake Capital") for the year ended December 31, 2003, we considered its internal control structure, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by Lake Capital (including tests of such practices and procedures) that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by Lake Capital: (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (2) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; or (3) in obtaining and maintaining physical possession of control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because Lake Capital does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of Lake Capital is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which Lake Capital has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above. In addition, Lake Capital was in compliance with the exemptive provisions of Rule 15c3-3 and no facts came to our attention indicating that such provisions had not been complied with during the year end December 31, 2003.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that Lake Capital's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

This report recognizes that it is not practicable in an organization the size of Lake Capital to achieve all the divisions of the duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of brokers and dealers, and should not be used for any other purpose.

New York, New York
January 20, 2004


DALESSIO, CASCIO & COMPANY, LLC
Certified Public Accountants

LAKE CAPITAL PARTNERS, INC.
STATEMENT OF FINANCIAL CONDITION
PURSUANT TO RULE 17a-5(d)

DECEMBER 31, 2003

LAKE CAPITAL PARTNERS, INC.

Index to Report Pursuant to Rule 17a-5

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DALESSIO, CASCIO & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

14 PENN PLAZA, SUITE 2004

NEW YORK, N. Y. 10122

(212) 244-1270

FAX: (212) 244-1743

Independent Auditor's Report

To the Stockholders of
Lake Capital Partners, Inc.
Greenwich, Connecticut

We have audited the accompanying statement of financial condition of Lake Capital Partners, Inc. as of December 31, 2003. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Lake Capital Partners, Inc., as of December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 6 and 7 is presented for purposes of additional analysis and is not a required part of the basic financial statement, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

New York, New York
January 20, 2004


DALESSIO, CASCIO & COMPANY, LLC
Certified Public Accountants

LAKE CAPITAL PARTNERS, INC.

Statement of Financial Condition

December 31, 2003

ASSETS

CASH AND CASH EQUIVALENTS	\$ 45,443
MARKETABLE SECURITIES	19,200
PREPAID EXPENSES	<u>4,999</u>
TOTAL ASSETS	<u>\$ 69,642</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Accounts payable and accrued expenses	<u>\$ 7,099</u>
TOTAL LIABILITIES	<u>7,099</u>

STOCKHOLDERS' EQUITY:

Common stock; \$.01 par value; 20,000 shares authorized; 300 shares issued and outstanding	3
Additional paid-in capital	12,997
Retained earnings	<u>49,543</u>
TOTAL STOCKHOLDERS' EQUITY	<u>62,543</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 69,642</u>

LAKE CAPITAL PARTNERS, INC.

Notes to Financial Statements

1. ORGANIZATION AND BUSINESS

Lake Capital Partners, Inc. ("Lake Capital") was incorporated in the State of Connecticut on February 9, 1995. Lake Capital is registered as a broker/dealer with the Securities and Exchange Commission ("SEC") and became a member of the National Association of Securities Dealers, Inc. ("NASD") on September 1, 1995. Lake Capital's business activities are limited to the private placement of direct participation programs. Lake Capital does not carry customer accounts and does not otherwise hold funds or securities for, or owe money or securities to customers and, accordingly, is exempt from SEC Rule 15c3-3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenues are recognized when services are completed and the revenues are reasonably determinable.

Cash Equivalents

Lake Capital considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

3. MARKETABLE SECURITIES

As of December 31, 2003, Lake Capital invested \$19,200 for 900 shares of The NASDAQ Stock Market, Inc. ("NASDAQ") common stock and 900 warrants to acquire NASDAQ common stock. The securities are unregistered with restrictions on transferability. The investment in NASDAQ has been classified as available-for-sale securities, recorded at fair value at the balance sheet date. At December 31, 2003, the fair value of the Company's investment in NASDAQ approximated its cost. Changes in fair value will be excluded from earnings.

LAKE CAPITAL PARTNERS, INC.

Notes to Financial Statements

4. NET CAPITAL REQUIREMENT

Lake Capital is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1) which requires that Lake Capital maintains minimum net capital, as defined, of \$5,000 or one-fifteenth of aggregate indebtedness, as defined, whichever is greater. At December 31, 2003, Lake Capital had net capital of \$38,404 which exceeded the statutory requirements by \$33,404. Lake Capital's ratio of aggregate indebtedness to net capital was .18 to 1 at December 31, 2003.

5. INCOME TAXES

Lake Capital is an S Corporation for Federal and State income tax purposes. Accordingly, the current taxable income of Lake Capital is taxable to its shareholders, who are responsible for the payment of Federal and State income taxes thereon.

6. RELATED PARTY TRANSACTIONS

Expense Agreement

Per an Expense Agreement between Lake Capital and Lake Partners, Inc. ("Lake Partners"), an entity under common ownership with Lake Capital, dated August 16, 1995, Lake Partners has agreed to pay all the general overhead expenses of Lake Capital. Effective November 30, 2003 in order to ensure compliance with SEC Market Regulation Notice 03-63, the Expense Agreement was amended to reflect expenses that are representative of the expenses that Lake Capital will incur as a separate entity. The financial statement reflect amounts that management considers to be reasonable and is based on the estimated time devoted to Lake Capital's operations. The Expense Agreement specifies that the general corporate expense allocation should be reviewed annually and adjusted accordingly to time devoted to the operations of Lake Capital. For the year ended December 31, 2003, Lake Capital was charged \$24,345 by Lake Partners pursuant to this agreement. The charge consists of the following:

Office space rent	\$	7,357
Salaries and compensation		5,328
General office		4,800
Portfolio research and investment		2,872
Insurance		1,830
Depreciation and amortization		1,571
Computer expenses		587
	\$	<u>24,345</u>

LAKE CAPITAL PARTNERS, INC.

Notes to Financial Statements

6. RELATED PARTY TRANSACTIONS (Continued)

Accounts payable and accrued expenses

As of December 31, 2003, accounts payable and accrued expenses includes \$2,345 from Lake Partners.

LAKE CAPITAL PARTNERS, INC.

Computation of Net Capital Pursuant to Uniform Net Capital Rule 15c3-1

December 31, 2003

COMPUTATION OF NET CAPITAL

NET CAPITAL

CREDITS:

Stockholders' equity \$ 62,543

LESS: NON-ALLOWABLE ASSETS

Prepaid expenses (4,999)

(4,999)

Add Back: Prepaid expense (NASD)

60

Net capital before haircut on security position 57,604

Haircut on security position

(19,200)

NET CAPITAL

\$ 38,404

COMPUTATION OF MINIMUM NET CAPITAL

Minimum Net Capital, greater of one-fifteenth of
aggregate indebtedness of \$7,099 or \$5,000

\$ 5,000

EXCESS NET CAPITAL

\$ 33,404

AGGREGATE INDEBTEDNESS

Accounts payable and accrued expenses

\$ 7,099

RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL

.18 to 1

LAKE CAPITAL PARTNERS, INC.

Other Information

December 31, 2003

1. Information relating to the possession or control requirements under SEC Rule 15c3-3.

Lake Capital has complied with the exemptive requirements of SEC Rule 15c3-3 and did not maintain possession or control of any customer funds or securities as of December 31, 2003.

2. Reconciliation Pursuant to SEC Rule 17a-5(d)(4):

There are no material differences between the amounts reported in this computation of net capital and the corresponding amounts reported in Lake Capital's unaudited December 31, 2003 Form X-17A-5 Part IIA filing.